

**Module 2**  
*Section A: Supply Chain Design and Optimization*

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**Term**  
Electronic document

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**Module 2**  
*Section A: Supply Chain Design and Optimization*

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**Term**  
Information system

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**Module 2**  
*Section A: Supply Chain Design and Optimization*

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**Term**  
Information technology (IT)

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**Module 2**  
*Section A: Supply Chain Design and Optimization*

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**Term**  
Service level

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**Module 2**  
*Section A: Supply Chain Design and Optimization*

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**Term**  
Sourcing

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**Module 2**  
*Section A: Supply Chain Design and Optimization*

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**Term**  
Sunk cost

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*Section A: Supply Chain Design and Optimization*

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**Term**  
Supply chain design

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*Section A: Supply Chain Design and Optimization*

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**Term**  
Supply chain resilience

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Interrelated computer hardware and software along with people and processes designed for the collection, processing, and dissemination of information for planning, decision-making, and control.

The electronic version of a document that may or may not also be printed.

A measure (usually expressed as a percentage) of satisfying demand through inventory or by the current production schedule in time to satisfy the customers' requested delivery dates and quantities. In a make-to-stock (MTS) environment, service level is sometimes calculated as the percentage of orders picked complete from stock upon receipt of the customer order, the percentage of line items picked complete, or the percentage of total dollar demand picked complete. In make-to-order (MTO) and design-to-order (DTO) environments, service level is the percentage of times the customer-requested or acknowledged date was met by shipping complete product quantities. Syns.: level of service, measure of service. See: cycle service level.

The technology of computers, telecommunications, and other devices that integrate data, equipment, personnel, and problem-solving methods in planning and controlling business activities. IT provides the means for collecting, storing, encoding, processing, analyzing, transmitting, receiving, and printing text, audio, or video information.

1) The unrecovered balance of an investment. It is a cost, already paid, that is not relevant to the decision being made about the future. 2) Capital already invested that for some reason cannot be retrieved. 3) A past cost that has no relevance with respect to future receipts and disbursements of a facility undergoing an economic study. This concept implies that since a past outlay is the same regardless of the alternative selected, it should not influence the choice between alternatives.

The process of identifying a company that provides a needed good or service.

The ability of a supply chain to anticipate, create plans to avoid or mitigate, and/or to recover from disruptions to supply chain functionality. See: resilience.

The determination of how to structure a supply chain. Design decisions include the selection of partners, the location and capacity of warehouse and production facilities, the products, the modes of transportation, and supporting information systems.

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*Section B: End-to-End Connectivity and Visibility*

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**Term**  
Active tag

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**Term**  
Advanced planning and scheduling (APS)

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**Term**  
Aggregation

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**Term**  
Automatic identification system (AIS)

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**Term**  
Available-to-promise (ATP)

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**Term**  
Batch processing

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**Term**  
Big data

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**Term**  
Business process management (BPM)

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Techniques that deal with the analysis and planning of logistics and manufacturing during short, intermediate, and long-term time periods. APS describes any application that uses advanced mathematical algorithms or logic to perform optimization or simulation of finite capacity scheduling, sourcing, capital planning, resource planning, forecasting, demand management, etc. These techniques simultaneously consider a range of constraints and business rules to provide real-time planning and scheduling, decision support, available-to-promise (ATP), and capable-to-promise (CTP) capabilities. APS often generates and evaluates multiple scenarios. Management then selects one scenario to use as the "official plan." The five main components of APS systems are (1) demand planning, (2) production planning, (3) production scheduling, (4) distribution planning, and (5) transportation planning.

A radio frequency identification (RFID) tag that broadcasts information and contains its own power source. See: radio frequency identification (RFID).

A system that can use various means, including barcode scanning and radio frequencies, to sense and load data in a computer.

The pooling of multiple products to reduce variation. For example, the relative variance in sales of all models of automobiles sold by a firm is less than the variance for individual models. See: risk pooling.

1) A manufacturing technique in which parts are accumulated and processed together in a lot. 2) A computer technique in which transactions are accumulated and processed together or in a lot. Syn.: batch production.

1) In operations, the uncommitted portion of a company's inventory and planned production maintained in the master schedule to support customer-order promising. The ATP quantity is the uncommitted inventory balance in the first period and is normally calculated for each period in which a master production schedule (MPS) receipt is scheduled. In the first period, ATP includes on-hand inventory less customer orders that are due and overdue. Three methods of calculation are used: discrete ATP, cumulative ATP with look-ahead, and cumulative ATP without look-ahead. 2) In logistics, the quantity of a finished good that is or will be available to commit to a customer order based on the customer's required ship date. To accommodate deliveries on future dates, ATP is usually time phased to include anticipated purchases or production receipts. See: cumulative available-to-promise, discrete available-to-promise (ATP).

A business discipline or function that uses business practices, techniques, and methods to create and improve business processes. BPM is a holistic approach for using appropriate business disciplines to gain business performance improvements across the enterprise or supply chain. It promotes business effectiveness and efficiency while striving for innovation, flexibility, and integration with technology. Most process improvement disciplines or activities can be considered as BPM.

A data set that cannot be handled by standard data management and analytical tools because it is too large or too complex. See: big data analytics.

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**Term**  
Business-to-business (B2B)

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**Term**  
Business-to-consumer (B2C)

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**Term**  
Capable-to-promise (CTP)

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**Term**  
Cloud computing

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**Term**  
Collaborative planning, forecasting, and replenishment (CPFR)

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**Term**  
Consignment

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**Term**  
Content management application

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**Term**  
Continuous replenishment

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Business conducted between businesses and final consumers, bypassing any third-party entities. It includes traditional brick-and-mortar businesses that may or may not also offer products and services online as well as businesses that trade exclusively on the internet.

Business conducted between two organizations, often via e-commerce. This type of connectivity allows businesses to act as a virtual supply chain management entity in order to reduce costs, improve quality, reduce delivery lead times, and improve due-date performance.

The use of computer resources, such as data storage and applications, which are accessed by any computer through the internet. See: hybrid cloud, private cloud, public cloud.

The process of committing orders against available capacity as well as inventory. This process may involve multiple manufacturing or distribution sites. It is used to determine when a new or unscheduled customer order can be delivered; employs a finite-scheduling model of the manufacturing system to determine when an item can be delivered; and includes any constraints that might restrict the production—such as availability of resources, lead times for raw materials or purchased parts—and requirements for lower-level components or subassemblies. The resulting delivery date takes into consideration production capacity, the current manufacturing environment, and future order commitments. The objective is to reduce the time spent by production planners in expediting orders and adjusting plans because of inaccurate delivery-date promises.

1) A shipment that is handled by a common carrier. 2) The process of a supplier placing goods at a customer location without receiving payment until after the goods are used or sold. See: consigned stocks, consignment inventory.

A collaboration process in which supply chain trading partners jointly develop plans for demand management and demand fulfillment activities to establish a shared vision of how products will be promoted and sold over the planning horizon. The trading partners share demand forecasts and replenishment plans iteratively until they agree to a consensus forecast, which they use to develop production and shipment plans designed to support the collaborative demand forecast. See: collaborative planning.

A practice of supplier collaboration in which a supplier is notified daily of actual sales or warehouse shipments and commits to replenishing these sales without stockouts and without receiving formal replenishment orders. The result is a lowering of associated costs and an improvement in inventory turnover. See: quick-response program (QRP), rapid replenishment, vendor-managed inventory (VMI).

An application that supports the evolutionary life cycle of digital-based information and makes information dynamically updatable online. These applications also have the ability to publish content to a repository and support access to digital-based content.

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Data cleansing

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Data dictionary

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Data mining

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Data normalization

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**Term**  
Database management system (DBMS)

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**Term**  
Decision support system (DSS)

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**Term**  
E-business

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**Term**  
Electronic commerce (e-commerce)

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1) A catalog of requirements and specifications for an information system. 2) A file that stores facts about the files and databases for all systems that are currently being used or for the software involved.

Examining a database or data file to find and fix mistakes, such as misspellings, missing information, data inconsistencies, and false data.

A database maintenance term used in the context of relational databases. The strategy helps to minimize the duplication of information or safeguard the database against certain types of logical or structural data anomalies. It is often used when merging data from one or more databases.

The process of studying data to search for previously unknown relationships. This knowledge is then applied to achieving specific business goals.

A computer system designed to assist managers in selecting and evaluating courses of action by providing a logical (usually quantitative) analysis of the relevant factors.

The software designed for organizing data and providing the mechanism for storing, maintaining, and retrieving that data on a physical medium (i.e., a database). A DBMS separates data from the application programs and people who use the data and permits many different views of the data.

The use of computer and telecommunication technologies to conduct business via electronic transfer of data, documents, and funds. See: electronic market.

Abbreviation for electronic business, which is conducting business processes via the internet. See: e-commerce.

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Electronic data interchange (EDI)

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Electronic product code (EPC)

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Enterprise resource planning (ERP)

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Extranet

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Information system architecture

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Intranet

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Legacy system

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Local area network (LAN)

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A common format for encoding identifiers on radio frequency identification (RFID) tags. The EPC is a globally unique number that identifies a specific item in the supply chain, such as a container, pallet, case, or individual unit.

The paperless (electronic) exchange of trading documents, such as purchase orders, shipment authorizations, advanced shipping notices (ASNs), and invoices, using standardized document formats.

A network connection to a partner's network using secure information processing and internet protocols to do business.

Integrated business software that manages all areas of a business, including manufacturing, accounting, distribution, etc. An ERP system provides a framework for standardizing processes and common extensive databanks of information, including master files, financial details, analyses of product and customer hierarchies, and historic and current transactional data.

A privately owned network that makes use of internet technology and applications to meet the needs of an enterprise. It resides entirely within a department or company and provides communication and access to information, similar to the internet, for internal use only.

A model of how the organization operates regarding information. The model considers four factors: (1) organizational functions, (2) communication of coordination requirements, (3) data modeling needs, and (4) management and control structures. The architecture of the information system should be aligned with and match the architecture of the organization.

A high-speed data communication system for linking computers and devices over a relatively small geographic area such as a building or campus.

An old business application often running on antiquated software that interfaces poorly with other applications but may continue to be used because it is too expensive to replace.

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**Term**  
Middleware

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**Term**  
Modular system

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**Term**  
Network

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**Term**  
Operating system

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**Term**  
Passive tag

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**Term**  
Point of sale (POS)

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**Term**  
Point-of-sale information

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**Term**  
Quick-response program (QRP)

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A system architecture design in which related tasks are grouped in self-contained packages. Each package, or module, of tasks performs all of the activities related to a specific function. Advances in functions can be implemented without affecting other packages or modules because of the loose coupling with other modules. See: client/server system, multitiered architecture, open system architecture.

Software that enables communication and connectivity between different applications or databases in a distributed system. This software interfaces systems together that were not designed to interact, providing users within different supply chain partners with seamless access to data and decision-support tools.

A set of software programs that controls the execution of the hardware and application programs. The operating system manages the computer and network resources through storage management, disk input/output, communications linkages, program scheduling, and monitoring system usage for performance and cost allocations.

1) The interconnection of computers, terminals, and communications channels to facilitate file and peripheral device sharing as well as effective data communication. 2) A graph consisting of nodes connected by arcs.

The relief of inventory and computation of sales data at the time and place of sale, generally through the use of barcoding or magnetic media and equipment.

A radio frequency identification (RFID) tag that does not actively transmit data and is not self-powered. See: radio frequency identification (RFID).

A system of linking final retail sales with production and shipping schedules back through the chain of supply. This system employs point-of-sale scanning and electronic data interchange and may use direct shipment from a factory to a retailer. See: continuous replenishment.

Information about customers collected at the time of sale.

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Radio frequency identification (RFID)

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Semipassive tag

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Server

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Software-as-a-service (SaaS)

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Supply chain event management (SCEM)

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Supply chain visibility

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Transportation management system (TMS)

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Value-added network (VAN)

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A radio frequency identification (RFID) tag that sends out data, is self-powered, and widens its range by harnessing power from the reader. See: radio frequency identification (RFID).

A system used to store data about items through the use of electronic tags and electromagnetic transmitters. RFID systems can be used to locate items or track material as it moves and do not require close proximity or line-of-sight access.

A software licensing and distribution model that provides access to applications via the internet on a subscription basis. A service provider hosts the application at its data center and customers access it through a web browser. This is often referred to as on-demand software and used by companies to avoid purchasing, implementing and maintenance costs.

A computer or software package that provides a specific kind of service to client software running on other computers. The term can refer to a particular piece of software, a web server, or the machine on which the software is running. A single server machine could have several different server software packages running on it, thus providing many different servers to clients on the network.

Sharing information throughout the supply chain to create transparency among supply chain partners (e.g., the ability of supply chain partners to access demand and production information from trading partners).

A term associated with supply chain management software applications, in which users have the ability to flag the occurrence of certain supply chain events to trigger some form of alert or action within another supply chain application. SCEM can be deployed to monitor supply chain business processes such as planning, transportation, logistics, or procurement. It can also be applied to supply chain business intelligence applications to alert users to any unplanned or unexpected events. See: performance and event management system.

A network, often supporting electronic data interchange, providing services additional to those provided by common carriers.

A computer application system designed to plan, execute, and manage transportation operations. This type of application typically includes modules focused on specific functions, such as intermodal transportation, import and export management, fleet service management, and load planning and optimization.

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**Term**

Warehouse management system (WMS)

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Web directory

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Web services

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Wide area network (WAN)

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Accounts payable (AP)

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**Term**

Accounts receivable (AR)

**Module 2**

*Section C: Supply Chain Metrics and Reports*

**Term**

Average inventory

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**Term**

Balance sheet

A list of web pages that is structured hierarchically.

A computer application system designed to manage and optimize workflows and the storage of goods within a warehouse, including receiving and storing goods, fulfilling orders, shipping, and tracking movement. It often interfaces with automated data capture, enterprise resource planning (ERP) systems, and robotics.

A public or private data communication system for linking computers distributed over a large geographic area.

A common internet or intranet framework that enables the movement of data from one supply chain application to another, without the requirement for a direct connection between the two applications and without regard to the underlying operating system for those applications.

The value of goods shipped or services rendered to a customer for which payment has not yet been received. This usually includes an allowance for bad debts.

The value of goods and services acquired for which payment has not yet been made.

A financial statement showing the resources owned, the debts owed, and the owner's share of a company at a given point in time. See: funds flow statement, income statement.

One-half the average lot size plus the safety stock, when demand and lot sizes are expected to be relatively uniform over time. The average can be calculated as an average of several inventory observations taken over several historical time periods. For example, twelve-month ending inventories may be averaged. When demand and lot sizes are not uniform, the stock level versus time can be graphed to determine the average.

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*Section C: Supply Chain Metrics and Reports*

**Term**

Balanced scorecard

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Cash flow

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Cost accounting

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Cost of goods sold (COGS)

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**Term**

Cost variance

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Current price

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Customer order fulfillment cycle time

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Dashboard

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1) The net flow of cash flowing into and out of the business over a specified period of time. Cash flows are commonly classified by the way they were generated. Operating cash flows are generated from the business' common operations. Investing cash flows are generated from investing activities such as the purchase or sale of securities or property, plant, and equipment assets. Financing cash flows are generated from the issuance or payment of debt instruments, equity payments, or dividend payments. 2) The net flow of dollars into or out of a proposed project. Also called cash proceeds or cash generated.

A list of financial and operational measurements used to evaluate organizational or supply chain performance. The dimensions of the balanced scorecard might include customer perspective, business process perspective, financial perspective, and innovation and learning perspectives. It formally connects overall objectives, strategies, and measurements. Each dimension has goals and measurements.

An accounting classification for determining the amount of direct materials, direct labor, and allocated overhead associated with the product(s) sold during a given period of time. See: cost of sales.

The branch of accounting that is concerned with recording and reporting business operating costs. It includes the reporting of costs by departments, activities, and products.

The price currently being paid, as opposed to standard cost.

The difference between a budgeted or projected cost and actual cost.

An easy-to-read management tool similar to an automobile's dashboard designed to address a wide range of business objectives by combining business intelligence and data integration infrastructure. See: executive dashboard.

The average actual cycle time consistently achieved to fulfill customer orders. For each individual order, this cycle time starts at the order receipt and ends at customer acceptance of the order.

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Days of supply (DOS)

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Days outstanding

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Digital Capabilities Model (DCM) for Supply Networks

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Executive dashboard

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Gross margin

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Income statement

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International Financial Reporting Standards (IFRS)

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Inventory turnover

A term used to imply the amount of an asset or liability measured in days of sales. For example, accounts payable (AP) days are the typical number of days that a firm delays payment of invoices to its suppliers. See: days payable outstanding (DPO), days sales outstanding (DSO).

1) Inventory-on-hand metric converted from units to how long the units will last. For example, if there are 2,000 units on hand and the company is using 200 per day, then there are 10 DOS. 2) A financial measure of the value of all inventory in the supply chain divided by the average daily cost of goods sold (COGS) rate.

A set of cross-functional metrics for measuring company performance that indicates the health of the company. It usually includes the company's key performance indicators. See: dashboard.

A reference model for supply chain professionals to guide the development of digital supply networks. The model is designed in a relational manner to help envision and then build the digitally enabled capabilities required to transform linear supply chains into a set of dynamic networks.

A financial statement summarizing the difference between revenues and expenses (i.e., the net income) over a specific period of time. See: balance sheet, funds flow statement, net income (loss).

The difference between total revenue and the cost of goods sold (COGS), divided by the total revenue. Gross margin is expressed as a percentage. Syn.: gross profit margin.

The number of times that an inventory cycles, or turns over, during a time period, such as a year. A frequently used method to compute inventory turnover is to divide the annual cost of sales by the average inventory level. For example, an annual cost of sales of \$21 million divided by an average inventory of \$3 million means that inventory turned over seven times. Syn.: inventory turns, turnover. See: inventory velocity.

A common global language for business affairs so that company accounts are understandable and comparable across international boundaries. As a result of growing international shareholding and trade, they are rules to be followed by accountants to maintain books of accounts that are comparable, understandable, reliable, and relevant whether the users are internal or external. See: generally accepted accounting principles (GAAP).

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Inventory valuation

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Inventory velocity

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Net working capital

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Obsolescence

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Order fulfillment dwell time

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Perfect order

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Perfect order fulfillment

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Productivity

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The speed with which inventory passes through an organization or supply chain at a given point in time as measured by inventory turnover. See: inventory turnover.

The value of the inventory at either its cost or its market value. There are a variety of ways to calculate the value of inventory to establish the cost of goods sold (COGS). Because inventory value can change with time, the age of the inventory may also be taken into consideration. See: average cost system; first in, first out (FIFO); inventory investment; last in, first out (LIFO).

1) The condition of being out of date. 2) A loss of value occasioned by new developments that place the older property at a competitive disadvantage. 3) A factor in depreciation. 4) A decrease in the value of an asset brought about by the development of new and more economical methods, processes, or machinery. 5) The loss of usefulness or worth of a product or facility as a result of the appearance of better or more economical products, methods, or facilities. See: deterioration.

The current assets of a firm minus its current liabilities. Syn.: working capital.

1) An order in which the seven Rs—the right product, the right quantity, the right condition, the right place, the right time, the right customer, and the right cost—are satisfied. 2) A fulfillment metric used to measure order proficiency, including being on time, complete, accurate, and undamaged.

Any lead time caused by customer requirements during the order fulfillment process when no activity takes place. Note that this dwell time is different from idle time or non-value-added lead time, which are caused by inefficiencies in the organization's processes and therefore ultimately under responsibility of the organization. These latter kinds of idle time should not be deducted from Order Fulfillment Cycle Time.

1) An overall measure of the ability to produce a good or a service. It is the actual output of production compared with the actual input of resources. Productivity is a relative measure across time or against common entities (labor, capital, etc.). In the production literature, attempts have been made to define total productivity where the effects of labor and capital are combined and divided into the output. One example is a ratio that is calculated by adding the dollar value of labor, capital equipment, energy, and material, and so forth and dividing it into the dollar value of output in a given time period. This is one measure of total factor productivity. See: efficiency, labor productivity, machine productivity, utilization. 2) In economics, the ratio of output in terms of dollars of sales to an input such as direct labor in terms of the total wages. This is also known as single-factor productivity or partial-factor productivity.

A measure of an organization's ability to deliver a perfect order.

**Module 2**

*Section C: Supply Chain Metrics and Reports*

**Term**  
Profit margin

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**Module 2**

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Return on supply chain fixed assets

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Return on working capital

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SCOR metrics

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**Module 2**

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Standard cost accounting system

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Standard costs

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**Term**  
Statement of cash flows

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*Section C: Supply Chain Metrics and Reports*

**Term**  
Suboptimization

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A measurement of the return an organization receives from its invested capital in supply chain fixed assets. This includes the fixed assets used in Orchestrate, Plan, Order, Source, Transform, Fulfill, and Return. It is calculated as  $(\text{Supply Chain Revenue} - \text{Total Supply Chain Management Cost}) \div \text{Supply Chain Fixed Assets}$ .

1) The difference between the sales and cost of goods sold (COGS) for an organization, sometimes expressed as a percentage of sales. 2) In traditional accounting, the product selling price minus the direct material, direct labor, and allocated overhead for the product, sometimes expressed as a percentage of selling price.

In Supply Chain Operations Reference (SCOR), metrics measure the ability of processes to achieve the strategic objectives associated with performance attributes. SCOR recognizes three levels of predefined metrics: Level 1 metrics are diagnostics for the overall health of the supply chain. Level 2 metrics serve as diagnostics for the level 1 metrics. Level 3 metrics serve as diagnostics for level 2 metrics.

A measure of profit on the amount of capital consumed. It is calculated as  $\text{after-tax operating income} \div \text{net working capital}$ .

The target costs of an operation, process, or product, including direct material, direct labor, and overhead charges.

A cost accounting system that uses cost units determined before production for estimating the cost of an order or product. For management control purposes, the standards are compared with actual costs, and variances are computed.

A solution to a problem that is best from a narrow point of view but not from a higher or overall company point of view. For example, a department manager who refuses to allow employees to work overtime in order to minimize the department's operating expense may cause lost sales and a reduction in overall company profitability.

A financial statement showing the flow of cash and its timing into and out of an organization or project. Syns.: cash flow statement, funds flow statement.

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*Section C: Supply Chain Metrics and Reports*

**Term**

Supply Chain Operations Reference (SCOR)  
model

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*Section C: Supply Chain Metrics and Reports*

**Term**

Usage variance

Deviation of the actual consumption of materials as compared with the standard.

A process reference model developed by the Supply Chain Council and endorsed by the Association for Supply Chain Management (ASCM) as the standard cross-industry diagnostic tool for supply chain management. The SCOR model describes the business activities associated with satisfying a customer's demand, which include Orchestrate, Plan, Source, Order, Transform, Fulfill, and Return. Use of the model includes analyzing the current state of a company's processes and goals, quantifying operational performance, and comparing company performance to benchmark data. SCOR has developed a set of metrics for supply chain performance, and ASCM members have formed industry groups to collect best practices information that companies can use to evaluate their supply chain performance.